MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 2, 2016/2017**

## BAC3634 – CORPORATE ACCOUNTING 1

( All sections / Groups )

7 March 2017
2.30 p.m – 5.30 p.m
( 3 Hours )

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**INSTRUCTIONS TO STUDENTS**

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

## QUESTION 1 (25 MARKS)

The financial statements of Jyn Bhd, Star Bhd and Dust Bhd as at 31 December 2016 were as follows:

Statements of Financial Position as at 31 December 2016

| | Jyn Bhd (RM) | Star Bhd (RM) | Dust Bhd (RM) |
|---|---|---|---|
| Land at cost | 1,500,000 | 1,200,000 | - |
| Non-current assets | 120,000 | 50,000 | 1,030,000 |
| Investment in Star Bhd | 1,200,000 | - | - |
| Investment in Dust Bhd | 780,000 | - | - |
| Inventories | 216,000 | 9,000 | 6,000 |
| Trade receivables | 100,000 | 330,000 | 160,000 |
| Bank | 84,000 | 11,000 | 4,000 |
| | 4,000,000 | 1,600,000 | 1,200,000 |
| Ordinary share capital at RM1 each | 2,000,000 | 1,200,000 | 600,000 |
| Retained profit | 1,920,000 | 240,000 | 440,000 |
| Trade payables | 80,000 | 160,000 | 160,000 |
| | 4,000,000 | 1,600,000 | 1,200,000 |

Additional information:

a) Jyn Bhd acquired 75% of Star Bhd on 1 January 2013 at a cost of RM1,200,000 when the retained profit of Star Bhd had a credit balance of RM200,000.
b) The goodwill in Star Bhd was impaired by RM90,000 on 31 December 2016.
c) On 1 January 2013, Jyn Bhd bought 180,000 shares in Dust Bhd for RM300,000 when the retained profit of Dust Bhd had a credit balance of RM200,000.
d) On 1 January 2014, Jyn Bhd bought another 240,000 ordinary shares of Dust Bhd for RM480,000. The 180,000 shares acquired in year 2013 had a fair value of RM350,000. The retained profit of Dust Bhd on 1 January 2014 was RM300,000.
e) The fair value of the land of Star Bhd on 31 December 2016 was RM1,800,000. Star Bhd has not bought or sold any land.
f) Included in the trade payables of Jyn Bhd is RM20,000 due to Star Bhd and RM19,000 due to Dust Bhd. Dust Bhd has factored RM9,000 of the amount owing on account of the receivable from Jyn Bhd.
g) Goodwill is recognised for the parent only.

**Continued...**

**Required:**
In accordance with the requirements of MFRS 10 *Consolidated Financial Statements:*

i) Calculate the goodwill of Star Bhd;
(3 marks)

ii) Compute the goodwill on Dust Bhd becoming an associate of Jyn Bhd on 1 January 2013 and on the date of business combination;
(5 marks)

iii) Distinguish with calculation the difference between the gain or loss on the 'virtual disposal and repurchase' of the 180,000 ordinary shares of Dust Bhd on 1 January 2014 for:
a. the parent, and
b. the group.
(3 marks)

iv) Prepare the consolidated statement of financial position as at 31 December 2016.
(14 marks)

**(Total: 25 marks)**

## QUESTION 2 (25 MARKS)

A) The statements of financial position of Dida Bhd, Nini Bhd and Juju Bhd as at 31 December 2016 are given below:

Statements of Financial Position as at 31 December 2016

| | Dida Bhd (RM) | Nini Bhd (RM) | Juju Bhd (RM) |
|---|---|---|---|
| Property, plant and equipment | 240,000 | 100,000 | 141,500 |
| Motor vehicles | 380,000 | - | 158,500 |
| *Investment in Nini Bhd:* | | | |
| 160,000 ordinary shares | 300,000 | - | - |
| *Investments in Juju Bhd:* | | | |
| 140,000 ordinary shares | 160,000 | - | - |
| 48,000 preference shares | 48,000 | - | - |
| **Current assets** | | | |
| Inventories | 87,000 | 95,000 | 18,000 |
| Trade receivables | 75,000 | 125,000 | 22,000 |
| Bank | 60,000 | 100,000 | 30,000 |
| | 1,350,000 | 420,000 | 370,000 |

**Continued...**

| | Dida Bhd (RM) | Nini Bhd (RM) | Juju Bhd (RM) |
|---|---|---|---|
| **Equity** | | | |
| Ordinary shares at RM1 each | 900,000 | 200,000 | 200,000 |
| 80,000 preference shares | - | - | 80,000 |
| Retained profit | 320,000 | 60,000 | 30,000 |
| | 1,220,000 | 260,000 | 310,000 |
| **Liabilities** | | | |
| Preference dividends payable | - | - | 8,000 |
| Ordinary dividends payable | 70,000 | - | 20,000 |
| Trade payables | 60,000 | 160,000 | 32,000 |
| | 1,350,000 | 420,000 | 370,000 |

Additional information:

a) Dida Bhd acquired 160,000 ordinary shares of Nini Bhd for RM300,000 on 1 January 2013 when the retained profit of Nini Bhd was RM50,000.
b) On 1 January 2014, Dida Bhd acquired 140,000 ordinary shares and 48,000 non-redeemable preference shares of Juju Bhd when the retained profit of Juju Bhd was RM10,000.
c) The fair value of a plant of Juju Bhd was RM18,500 more than its carrying amount on 1 January 2014. The remaining economic life of the plant was five years as at 1 January 2014.
d) On 31 December 2016, Dida Bhd disposed 25 percent of its holdings in Nini Bhd for RM100,000. This transaction has not been recorded in the books yet.
e) On 31 December 2016, RM75,550 of goodwill on consolidation of Nini Bhd was impaired and written off. Partial goodwill is recognised.
f) Juju Bhd has provided for the final ordinary and preference dividends for year 2016. However, Dida Bhd has not recognised its share of dividends from Juju Bhd.

**Required:**

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, prepare the consolidated statement of financial position of Dida Group as at 31 December 2016.

(20 marks)

B) "MFRS 3 *Business Combinations* allows an accounting policy choice, available on a transaction by transaction basis, to measure non-controlling interests (NCI) either *at fair value* [emphasis added], or *the NCI's proportionate share of the net assets of the acquiree* [emphasis added]."

(MFRS 3 *Business Combinations*)

Based on the statement above, compare and contrast the two methods prescribed by MFRS 3 *Business Combinations* to calculate non-controlling interests.

(5 marks)

**(Total: 25 marks)**

**Continued...**

## QUESTION 3 (25 MARKS)

A) The statements of profit or loss of Lily Bhd, Orchid Bhd and Rose Bhd for the year ended 31 December 2016 are given below:

Statements of Profit or Loss for the year ended 31 December 2016

| | Lily Bhd (RM) | Orchid Bhd (RM) | Rose Bhd (RM) |
|---|---|---|---|
| Revenues | 18,000,000 | 10,000,000 | 8,000,000 |
| Cost of sales | (6,000,000) | (2,000,000) | (3,000,000) |
| Gross profit | 12,000,000 | 8,000,000 | 5,000,000 |
| Consultancy services to Rose Bhd | 140,000 | | |
| Operating expenses | (4,000,000) | (2,000,000) | (1,600,000) |
| Profit after taxation | 8,140,000 | 6,000,000 | 3,400,000 |
| Taxation | (2,400,000) | (1,600,000) | (800,000) |
| | 5,740,000 | 4,400,000 | 2,600,000 |
| Dividends paid | 1,600,000 | | |
| Retained profits at 1 January 2016 | 10,000,000 | 4,000,000 | 6,000,000 |

Additional information:

a) On 1 January 2010, Lily Bhd paid RM14,000,000 to acquire 75 percent of the 16,000,000 issued ordinary shares of Orchid Bhd (valued at RM1 each) when the retained profit of Orchid Bhd was RM2,400,000. There were no other reserves in Orchid Bhd on the date of acquisition.

b) On 1 January 2012, Orchid Bhd acquired 80 percent interest in the 8,000,000 issued ordinary shares (valued at RM1 each) of Rose Bhd for RM10,000,000. On that date, the credit balance in the retained profit of Rose Bhd was RM4,000,000. There were no other reserves in Rose Bhd.

c) During year 2016, Orchid Bhd sold to Lily Bhd inventories costing RM300,000 for RM400,000 and one-half of the inventories remain unsold.

d) Lily Bhd charged Rose Bhd for consultancy services of RM140,000. The amount paid by Rose Bhd is included in its operating expenses.

**Required:**

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements:*

i) Prepare the consolidated statement of profit or loss for the year ended 31 December 2016.

(14 marks)

ii) Calculate the retained profits of the group as at 31 December 2016.

(6 marks)

**Continued...**

B) Investors Ab and Cd each holds 70 percent and 30 percent of the voting rights of an investee, respectively. Investor Cd also has options to acquire one-half of the voting rights of investor Ab. The option is exercisable but it is not economically beneficial for Cd to exercise its options. Currently investor Ab has been exercising its rights and actively directing the relevant activities of the investee.

Appraise the scenario and determine which entity controls the investee. Discuss the three elements of control to support your answer.

(5 marks)

**(Total: 25 marks)**

## QUESTION 4 (25 MARKS)

The following are the consolidated financial statements of Alfa Bhd.

Consolidated Statements of Financial Position of Alfa Group as at 31 December

| | 2016 RM('000) | 2015 RM('000) |
|---|---|---|
| Property, plant and equipment | 17,280 | 12,600 |
| Investment in associate companies | 2,080 | 1,920 |
| Goodwill on consolidation | 2,320 | 3,800 |
| Inventory | 4,800 | 3,600 |
| Trade receivables | 3,600 | 2,400 |
| Bank | 6,140 | 1,480 |
| | 36,220 | 25,800 |
| Ordinary share capital | 10,000 | 10,000 |
| Retained profits | 9,120 | 5,600 |
| Non-controlling interest | 4,600 | 2,200 |
| 10% debentures | 4,000 | 3,200 |
| Trade payables | 8,500 | 4,800 |
| | 36,220 | 25,800 |

Consolidated Statements of Profit or Loss for the year ended 31 December 2016

| | 2016 RM('000) |
|---|---|
| Turnover | 40,000 |
| Cost of sales | (24,000) |
| | 16,000 |

**Continued...**

| | |
|---|---|
| Expenses | (8,880) |
| Operating profit | 7,120 |
| Share of profits of associate companies | 280 |
| Profit before tax | 7,400 |
| Tax- Alfa Bhd and subsidiaries | (1,120) |
| Profit after tax | 6,280 |

| | |
|---|---|
| Profit after tax attributable to: | |
| Equity holders of Alfa Bhd | 4,800 |
| Non-controlling interest | 1,480 |
| | 6,280 |

Additional information:

a) Dividends paid by Alfa Bhd during the year were RM1,280,000.

b) The expenses for the year ended 31 December 2016 include depreciation charges on property, plant and equipment of RM1,640,000 and impairment of goodwill.

c) On 1 January 2016, Alfa Bhd acquired an 80 percent interest in Alfi Bhd, by paying cash RM6,000,000. The fair value of the net assets of Alfi Bhd on 1 January 2016 is as follows:

| | RM |
|---|---|
| Property, plant and equipment | 4,000,000 |
| Inventory | 1,200,000 |
| Trade receivables | 1,000,000 |
| Bank | 1,400,000 |
| Trade payables | 600,000 |

**Required:**

i) Prepare the consolidated cash flow statement for the year ended 31 December 2016 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(15 marks)

ii) Calculate for year 2016, Alfa Group's:
   a. profit margin,
   b. current ratio,
   c. quick ratio, and
   d. debt to equity ratio

(7 marks)

iii) Based on your answer for (ii), appraise Alfa Group's liquidity position in year 2016.

(3 marks)

**(Total: 25 marks)**

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